

CITY OF ROCK ISLAND
Douglas County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. The City Should Limit Expenditures To Appropriations

During 1993, expenditures exceeded budgeted appropriations in the Community Development Block Grant Fund by \$20,241.58 and the Sewer Fund by \$6,496.09. In addition, expenditures exceeded appropriations during 1992 in the Current Expense Fund by \$10,952.90 and the Park Fund by \$531.30.

Exceeding appropriations is contrary to the provisions of RCW 35A.33.125 which states in part:

... the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund ...

This condition occurred because the city officials did not adequately monitor the individual fund operations, causing the expenditures to exceed appropriations.

We recommend that the city limit its expenditures to the budget appropriations authorized by the council.

2. The Current Expense Fund Should Remain Solvent Or Issue Registered Warrants

The city's Current Expense Fund had a deficit cash balance at December 31, 1993, of \$8,714.10. However, the city failed to issue registered warrants at the time the Current Expense Fund became insolvent.

Operating a city fund with a deficit cash balance essentially constitutes a loan to this fund from solvent funds without authorization and without interest being paid. This is a violation of RCW 43.09.210 which states in part:

. . . no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

Obligations of a city fund with a deficit cash balance must be paid by registered warrant.

RCW 35A.40.020 states in part:

. . . no check shall be issued when the applicable fund is not solvent at the time payment is ordered, but a warrant shall be issued therefor.

Furthermore, RCW 35.21.320 states in part:

All city and town warrants shall draw interest from and after their presentation to the treasurer . . . The city or town treasurer shall pay all warrants in the order of their number and date of issue whenever there are sufficient funds in the treasury applicable to the payment. If five hundred dollars . . . is accumulated in any fund having warrants outstanding against it, the city or town treasurer shall publish a call for warrants to that amount . . . (Emphasis added.)

The deficit cash balance is a result of the city council allowing expenditures to exceed the cash balance in the Current Expense Fund.

We recommend that the city examine the operations of the Current Expense Fund and make changes as necessary to solve the problem of the deficit cash balance.

We further recommend that the city pay claims or other obligations of the Current Expense Fund by registered warrant until such time as the fund becomes solvent.